



Benefit Focus

UPDATE: Re-Marketing
of State Medical Plans

Department of Administration, Office of Insurance Management Boise Idaho Sept. 2003

State Health Insurance Plan to be Re-Bid for FY 2004-05; Advisory Groups Formed, Employee Focus Groups to Meet

Health care costs are increasing dramatically. National analysts predict costs will increase 15 to 20 percent per year over the next four to five years. This is the third straight year of double-digit increases in health insurance premiums.

Last year, rising costs compounded by the state's budget deficit prompted major design changes to the Medical Plan. Both Governor Kempthorne and the Idaho Legislature continued to take a strong position to support the health insurance plan, minimizing the impact on state employees. In spite of increases to total plan costs in excess of 20% for each of the past two years, **the State has continued to pay 90% of the cost of our premium. During extremely tight budget years, this has been significant.**

The Department of Administration is re-marketing the Medical and the Integrated Behavioral Health Care Plan (IBHP) contracts for Fiscal Year 2004-2005.

Employee Feedback, Input Sought

Statewide **Employee Focus Group meetings** will be held Sept. 23 to 26. (**Schedule at right**) Meetings are open to all employees and provide a forum for exchange of information on the Group Health Program and will gather input for use in the re-bidding process. Employees are invited to complete an **On-Line Employee Health Insurance Survey** (accessible Tuesday, Sept. 23) regarding their specific medical needs and preferences. Your participation will help in the efforts to seek benefits.

Advisory Groups Organized

A **Technical Evaluation** committee has been formed to assist in the development and evaluation of a Request for Proposal (RFP). This group is comprised of State and private sector members. A state agency **Human Resource Advisory** committee will support communications efforts and offer additional suggestions as the RFP is drafted and issued later this year. Contract award is anticipated in early February, 2004. Open Enrollment follows during May.

Employee Focus Group Meeting Schedule

Boise:

Tuesday (Sept. 23) 9 to 11 a.m.,

Boise State University Student Union,
Hatch Ballroom; and **1:30 to 3:30 p.m.**

East Conference Room, Joe R. Williams Building.

Friday (Sept. 26) 1 to 3 p.m. Idaho Transportation
Department Auditorium, 3311 W. State Street, Boise.

Pocatello:

Wednesday (Sept. 24) 1 to 3 p.m. Idaho State
University, Student Union Theater.

Lewiston:

Thursday (Sept. 25) 9 to 11 a.m. Lewis-Clark State
College, Williams Conference Center, Clearwater
Room.



On-Line Employee Insurance Survey Posted on Employee Portal Sept. 23

An online **Employee Health Insurance Survey** will be accessible on the State Employee Portal (Sept. 23) as the Employee Focus Group meetings get underway.

<http://www2.state.id.us/empportal/>

If you cannot access the survey electronically, and would like to respond, please contact your respective agency's Human Resources Manager who can provide you a hard copy. **Your responses will remain anonymous.** The information will be used to help guide the DOA in its preparations to re-market the medical plan and solicit bids.

Your involvement is appreciated. Thank You.

National Healthcare Study Signals Rising Costs

Nationally, double digit trends in the cost of healthcare will continue for the foreseeable future. It is becoming necessary for employers to continue to alter plan designs on a regular basis and to continue to examine participant and dependent contribution strategies.

Rising healthcare costs have been in the news lately with a release of a new, authoritative study in mid-September by the **Kaiser Family Foundation** and the **Health Research and Educational Trust**, Washington D.C., which specialize in health care issues. 980 employers including state government were surveyed by the non-profit groups. Following are highlights from the study:

- People in employer-sponsored health plans are **paying 48 percent more out of their own pockets** for care than they did three years ago.
- **Employers still pay bulk of the costs — typically at least 75 percent.** Study shows that most employers are shifting more costs to workers, in hopes of lowering the expense by discouraging heavy use of doctors, hospitals and prescription drugs.
- Almost two-thirds of larger employers **raised the amounts employees are contributing** to the cost of their health plans this year. 70 percent say they will do so again in 2004.
- **65 percent of employers increased the amount that employees pay for health insurance** this year; 47 percent raised employees' payments for prescription drugs, 34 percent raised co-payments for doctor visits.
- **Out-of-pocket spending** for insurance premiums, deductibles and drug co-payments rose to \$2,790 this year for a typical employee with family coverage, from \$1,890 in 2000.
- **Health care premiums rose** 13.9 percent this year, the biggest increase since 1990, outpacing 11 percent rise in spending for hospitals and doctors (far ahead of the 2.4 percent increase in manufacturer's prices).
- **Deductibles and co-payments for hospital care**, uncommon only a few years ago, were required by 4 in 10 plans this year. Higher co-payments for expensive prescription drugs have been widely adopted.
- **Average annual active benefits costs** nationally were \$5,646 per employee for plan years ending 2002. When a 15% inflation factor is applied, this would equal \$6,493 in 2003.

“As of 2001, healthcare represents 14.1% of the gross domestic product. By 2011, it is projected to equal 17.0% of gross domestic product.”



“Prescription drug cost increases will continue in the 18% - 20% range for at least the next three years, moderating to 14% - 16% in the subsequent two years.”

About Our State of Idaho Employee Medical Plan ...

- The **cost per Idaho employee per year** on the Medical Plan for FY 2003 (State contribution and employee contribution) was **\$5,011**. 90% of the premium is paid by the State. Total cost of the active Employee Plan was **\$91,189,643**.
- The State's paid portion of the Medical Plan premium (including vision, IBHP) increased from \$389.42 (FY03) to \$457.58 per month (FY04) or an additional \$68.16 per employee, per month. This means the State paid an additional \$817.92 for each employee for FY 04.

- At the end of FY03, 18,648 active employees and 28,192 of their dependants were enrolled in the state's Medical Plan for a total of **46,840** covered lives.

Who's Submitting Claims?

During a twelve month period ending June 30, 2002:

- **30%** of all employees enrolled in the employee Medical Plan submitted **no claims**. **34%** filed claims that fell between \$1 and \$500. These two groups combined, accounted for **64%** of the total number of covered plan members, but only **3%** of the total plan costs or \$2,848,505.
- **19%** of the group had claims between \$501 and \$2,000 (12% total claims) or \$10,113,215. **14%** had claims totaling between \$2,001 and \$10,000, or **36%** of total plan costs or \$29,788,752.
- **49%** of total claims submitted against the group were generated by **3%** of those covered. Total claims for this group totaled **\$41,104,102**.
- **Average age** of active employees enrolled in the plan is **47**. Average age of retirees in the plan is **71**.

Watch for Continuing Updates, New Information on State Employee Portal

More information when available, and Benefit Focus Updates will be posted to the **State Employee Portal**.
www2.state.id.us/emportal/

If you have further questions, or need assistance, please contact the Office of Insurance Management at:
1-800-531-0597 or **(208) 332-1860**.